11: Hourani S-4 (no date) 1946 MD1 Syria MD1

mainly by motor-car. The trunk-roads, built for the most part since the establishment of French rule, are good, local roads satisfactory in summer but often very bad in winter; motor transport across the desert to Iraq is well organized by private companies. A trans-desert railway has been planned but not built. There are several civil airports.

The defective financial system is a further obstacle to economic development. Credit facilities are inadequate; foreign capital has been invested in public utilities but not in industry; long-term investment and constructive enterprise have been discouraged by the instability of the currency. Since 1924 the legal currency of the country has been the Syro-Lebanese paper pound, issued by the concessionary Banque de Syrie et du Grand Liban, of which the ownership is mainly French. It is a franc-exchange currency, one pound being equivalent to twenty francs; and it therefore shared in the fluctuations of the franc. In 1941, after the invasion of Syria and Lebanon by the Allied forces, it was officially linked to sterling. As an unstable and a paper currency, it has never won the confidence of the bulk of the population, who prefer, in spite of official prohibitions, to use the Ottoman gold pound or the sovereign as the standard of value in important transactions; since the relation between the value of the gold pound and that of the paper pound is constantly changing, problems are always arising in regard to the rate of repayment of debts calculated in terms of gold but actually paid in paper.

4

In commerce as in industry the old order is dying. So long as Syria and Lebanon formed part of the Ottoman Empire, their towns were centres not only for the internal trade of a great part of Ottoman Asia but also for much of its trade with Europe. The last generation has seen the disintegration of the Empire into a number of separate States and the creation of tariff-barriers and other obstacles to the free flow of goods; it has witnessed also the rise of the port of Haifa, and the consequent diversion of part of the transit-trade from Syria and Lebanon to Palestine. In addition, the decline of the traditional industries and the decrease in the demand for their products, the slow growth of modern industries and the absence of any considerable demand in the world for

11: Hourani S-4 (no date) 1946 MD1 Syria /101

Hama et Prolongement' (D.H.P.) company. Since 1925 this company had had an agreement with the local Governments by which the latter made good any losses incurred by the company in the working of the railways, and received a progressive share of any profits which were made.

There were a number of French financial institutions with interests in the Mandated Territories. The bank of issue, the Banque de Syrie et du Grand Liban, had its headquarters in Paris, and of its 25¼ million francs of share-capital over 20 millions were in French hands, while twelve out of its sixteen directors were French, the remainder being Syrians and Lebanese. By an agreement made in 1924 and subsequently renewed, the Banque was given the exclusive right of issuing Syro-Lebanese currency. It also performed the functions of an ordinary commercial bank. In addition, a great deal of commercial banking, mortgage and land-credit business was transacted by the Banque Française de Syrie, the Crédit Français d'Algérie et de Tunisie and the Compagnie Algérienne.

In 1938 France imported goods of greater value from Syria and Lebanon than did any other country except Palestine; and she exported to them goods of greater value than did any other country except Great Britain. The total value of her imports from them was 105,894,000 francs. The main articles which she imported were vegetables and fruits; she did not obtain from the Levant States any important raw materials for her industries. She exported to them 197,818,000 francs worth of goods, including large quantities of iron and iron goods, machinery, chemical products, precious metals and silk goods.[1]

The Mandated Territories were also important for French commerce as providing a link in France's communications with her Far Eastern possessions: the civil air-ports were used as stopping places on the route from France to Indo-China. Moreover, one of the two pipe-lines through which the oil of Iraq is conveyed to the Mediterranean passes through Syria and Lebanon to reach the sea at Tripoli. This was of dual importance to France: first because French interests owned 23¾ per cent of the share-capital of the Iraq Petroleum Company, and secondly because France obtained between one-third and one-half of her total oil-supply from Iraq, by

[1] For detailed figures, see Ministère des Affaires Etrangères, *Rapport, 1938*, p. 203.

L 648 In regard to the 'Services Economiques' and S 648 certain other departments, the experiment was tried of administering them by joint Syro-Lebanese commissions; but for the most part the transferred services were administered separately by the two Governments. To the more ardent nationalists, this was an unsatisfactory element in a transfer which was otherwise to be welcomed. They complained also that the transfer was more in name than in reality, since for reasons of efficiency the French personnel of the services was retained temporarily.

S (ii) In February, 1944, an Anglo-French financial agreement 648 was signed. It named a 'franc area' composed 436 of all territories under the control of the French Committee of National Liberation, and fixed the rate L of exchange at 200 francs to the pound sterling. With 648 the agreement of the Syrian and Lebanese Govern- 436 ments, a special area fixed the rate of exchange of the Syro-Lebanese pound at 22.65 francs (it had previously been 20 francs), and thus prevented any change in the present rate of 8.83 Syro-Lebanese pounds to the pound sterling. The French Committee also agreed to revalue certain franc assets of the Syrian and Lebanese Governments, to restore the gold formerly held by the Banque de Syrie et du Liban, and, should there be any further modification in the value of the franc, to guarantee the Syro-Lebanese pound against any resulting loss.

The agreement was widely criticized in Syria and Lebanon. It was regarded as contravening the allied declarations of June, 1941, which promised Syria and Lebanon full membership of the sterling bloc. Moreover, by weakening the link between the pound sterling and the currency of the two States, it created barriers between them and the other Arab States at a time when the movement for closer association between the Arab countries was gathering renewed strength. More important still, it was observed that the agreement was only temporary, and could be terminated by either party at three months' notice. When it should come to an end, there was a danger

14:International Bank S-5 (1954) 1955 MD1 Syria MD1

453 bank, the principal depository of government funds and the bank of issue, dominates the banking system. There is only one government banking institution, the Agricultural Bank, which extends a limited amount of credit to agriculture. The banks engage principally in short-term financing of foreign and domestic trade. A few, particularly the BSL, now also grant seasonal credits for agricultural crop production up to a limit of 300 days. Competition among banks is keen. Interest rates on loans and advances have tended to decline and are now generally between 5% and 7%. As much as 2% to 3% is paid even on current deposits, with slightly higher rates on time deposits. Although the BSL, functioning in this respect as a central bank, is able and willing to provide ample rediscount facilities, other banks generally avoid rediscounting their paper with an institution they regard as their principal competitor. Foreign banks prefer to obtain any additional funds they may need from their parent institutions abroad. Thus, to meet the expanding credit needs in Syria, the commercial banks increased their liabilities abroad from £S 62 million at the end of 1952 to £S 98 million at the end of 1953; by June 30, 1954, such liabilities had risen to £S 117.9 million as compared with £S 95 million for the corresponding date of the preceding year. Because of their access to resources abroad most of the banks apparently do not consider it necessary to maintain a high proportion of liquid assets to short-term liabilities in Syria.

453 436 Although the use of checks has grown, internal payments are still predominantly effected in cash. This undoubtedly accounts for the fact that the proportion of private deposits to net note and coin circulation, although steadily growing, was still only 33% by the end of 1953. As of that time, as shown by Table 2, the total money supply[8] amounted to £S 376.3 million of which £S 271.5 million or about 72% represented notes and coins. The relatively small use of checking accounts also explains, at least in part, the high proportion of bank loans, advances and discounts for the private sector to total private deposits. At the end of 1953 the volume of such credit accommodation—£S 226.6 million—represented 247% of total private bank deposits. In most other countries the amount of bank credit to the private sector tends to be considerably less than the total of private deposits.

[8] Of the deposits, only the sight deposits of private persons and public enterprises have been included in money supply. The rate of turnover of deposits of the government and public administration is not very high.

14:International Bank S-5 (1954)1955 MD1 Syria MD1

TABLE 2 Monetary and Banking Data

(Million £S)

	End of period				
	1951	1952	1953	June 1953	June 1954
Money supply					
1. Notes and coins (net)	236.1	234.7	271.5	249.0	298.5
2. Private and public enterprise deposits	58.9	76.0	104.8	97.8	123.4
3. Private and all public deposits	114.0	181.2	250.3	205.7	215.1
Total (1 and 2)	295.0	310.7	376.3	346.8	421.9
Total (1 and 3)	350.1	415.9	521.8	454.7	513.6
Monetary gold and foreign exchange					
Total at free rate	114.3	107.6	157.0	106.3	144.8
Percent of note issue	46.1	45.0	56.7	n.a.	n.a.
Deposits (sight and time)					
Public	111.9	128.3	188.9	149.4	181.0
Private	60.5	77.8	96.3	n.a.	115.0
Total	172.4	206.1	285.2	n.a.	296.0
Loans, discounts and advances	115.1	146.0	226.6	187.9	309.5

n.a. = not available.
SOURCE: Office des Changes.

In Syria, as in other underdeveloped countries of Asia, a considerable volume of credit is extended outside the banking system by merchants, landowners and professional moneylenders. Some of these, particularly the merchants, rely in turn on regular bank credit. Most of the credit outside the banking system is extended in the agricultural sector of the economy and is a reflection partly of the inadequacy of such institutions as the Agricultural Bank and partly of the poor credit risk of the borrowers. Loans of this type generally carry high, usurious rates of interest.

Another feature of the credit system is the lack of any institution, outside the Agricultural Bank, for financing investment. There is no mortgage-financing institution for building, and no bank to provide investment capital for industry. The BSL has in the past extended investment credits to industry, but only with the guarantee of the government.

COMMUNICATION

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عدد وقيمة الحوالات البريدية والبرقية (الداخلية والخارجية) ١٩٥٢ — ١٩٤٤

(باستثناء الحوالات السورية اللبنانية)

NUMBER AND VALUE OF POSTAL AND TELEGRAPHIC MONEY-ORDER

(Except Syrian Lebanon orders)

Table No. 19

جدول رقم ١٩

Year	الحوالات البريدية والبرقية الداخلية Internal postal and telegraphic orders				الحوالات البريدية والبرقية الخارجية External postal and telegraphic orders				السنة
	الحوالات المسحوبة Orders drawn		الحوالات المدفوعة Orders paid		الحوالات المسحوبة Orders drawn		الحوالات المدفوعة Orders paid		
	العدد No.	قيمة ل.س. Value L.S.	العدد No.	قيمة ل.س. Value L.S.	العدد No.	قيمة ل.س. Value L.S.	العدد No.	قيمة ل.س. Value L.S.	
1944	52,377	16,721,616	52,095	16,682,615	1,369	22,991	3,179	140,010	١٩٤٤
1945	54,004	19,052,989	54,551	19,033,074	4,383	83,400	3,186	152,537	١٩٤٥
1946	78,994	25,383,943	77,631	25,309,643	5,255	101,871	3,413	174,536	١٩٤٦
1947	80,856	22,858,065	78,263	22,803,593	5,200	134,547	2,900	128,841	١٩٤٧
1948	94,343	30,480,117	94,108	30,536,095	696	14,137	400	34,503	١٩٤٨
1949	192,907	28,223,587	101,571	28,199,327	—	—	259	1,393,880	١٩٤٩
1951/52 (2)	173,513	49,448,443	166,065	48,962,901	—	—	178	7,885	(١)١٩٥١/١٩٥٠
1950/51 (1)	183,364	63,896,949	181,972	63,827,579	—	—	176	7,800	(٢)١٩٥٢/١٩٥١
1953	140,314	49,158,122	138,548	49,040,183	—	—	84	4,726	١٩٥٣

Source : Ministry of Public Works.

المصدر : وزارة الاشغال العامة

(1) Fiscal period 1/1/1950 — 30/6/1951.
(2) Fiscal period 1/7/1951 — 31/12/1952.

(١) في الفترة المالية ١٩٥٠/١/١ — ١٩٥١/٦/٣٠
(٢) في الفترة المالية ١٩٥١/٧/١ — ١٩٥٢/١٢/٣١

النقد المتداول في الجمهورية السورية
(بالف الليرات السورية)

CURRENCY IN CIRCULATION (L.S. '000)

Table No. 8

جدول رقم (٨)

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As at the end of	المجموع Total	اوراق النقد المصرفية Bank notes	نقد فضية Silver coins	نقد معدنية Metal coins	الطوابع (الطوابع) Money stamp	في نهاية
December 1941	48,206	46,350	1,540	316	—	كانون اول ١٩٤١
« 1942	100,486	98,000	1,540	339	607	« ١٩٤٢
« 1943	165,575	161,750	1,540	339	1,946	« ١٩٤٣
« 1944	204,136	197,750	1,540	339	4,507	« ١٩٤٤
« 1945	210,683	205,250	1,540	339	3,554	« ١٩٤٥
« 1946	202,476	198,000	1,540	444	2,492	« ١٩٤٦
« 1947	183,206	179,500	1,540	444	1,722	« ١٩٤٧
« 1948	238,029	232,500	3,950	445	1,134	« ١٩٤٨
« 1949	242,058	236,500	4,040	1,518	—	« ١٩٤٩
« 1950	224,558	215,000	8,040	1,518	—	« ١٩٥٠
« 1951	257,273	248,000	7,790	1,483	—	« ١٩٥١
« 1952	250,422	239,000	9,938	1,484	—	« ١٩٥٢
« 1953	268,432	277,000	9,938	1,485	—	« ١٩٥٣
1952						١٩٥٢
January	258,473	249,000	7,988	1,485	—	كانون الثاني
February	255,773	246,000	8,288	1,485	—	شباط
March	253,073	243,000	8,588	1,485	—	آذار
April	253,079	243,000	8,588	1,485	—	نيسان
May	245,493	235,000	9,008	1,485	—	ايار
June	245,993	235,500	9,008	1,485	—	حزيران
July	242,993	232,000	9,008	1,485	—	تموز
August	237,843	227,000	9,358	1,485	—	آب
September	240,343	229,500	9,358	1,485	—	ايلول
October	240,342	229,500	9,358	1,484	—	تشرين اول
November	245,842	235,000	9,358	1,484	—	تشرين الثاني
December	250,422	239,000	9,358	1,484	—	كانون اول
1953						١٩٥٣
January	250,423	239,000	9,358	1,485	—	كانون الثاني
February	258,423	247,000	9,358	1,485	—	شباط
March	251,423	240,000	9,358	1,485	—	آذار
April	253,423	242,000	9,358	1,485	—	نيسان
May	263,423	252,000	9,358	1,485	—	ايار
June	263,423	252,000	9,358	1,485	—	حزيران
July	258,423	247,000	9,358	1,485	—	تموز
August	257,423	246,000	9,358	1,485	—	آب
September	257,423	246,000	9,358	1,485	—	ايلول
October	278,423	267,000	9,358	1,485	—	تشرين اول
November	291,423	280,000	9,358	1,485	—	تشرين الثاني
December	288,423	277,000	9,358	1,485	—	كانون اول

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تقلبات اسعار العملة الذهبية في اسواق مدينة دمشق
(بالليرات السورية)

FLUCTUATIONS IN THE PRICE OF GOLD SOVEREIGNS AT DAMASCUS
(In Syrian Pounds)

Table No. 6

جدول رقم ٦

Monthly Average	سعر الليرة الانكليزية English Sovereign		سعر الليرة العثمانية الرشادية مكية New Turkish Sovereign		سعر الليرة العثمانية التجارية Old Turkish Sovereign		المعدل الشهري
	شراء Purchases	بيع Sales	شراء Purchases	بيع Sales	شراء Purchases	بيع Sales	
1951							١٩٥١
January	43,53	43,57	36,69	36,73	32,19	32,23	كانون ثاني
February	42,65	42,69	36,31	36,35	31,54	31,58	شباط
March	42,12	42,17	34,84	34,86	31,23	31,27	آذار
April	42,69	42,72	35,08	35,10	31,18	31,25	نيسان
May	43,18	43,19	35,00	35,06	31,09	31,14	ايار
June	44,14	44,19	34,77	34,82	31,11	31,16	حزيران
July	43,08	43,07	34,66	34,70	30,79	30,83	تموز
August	43,48	43,52	34,55	34,59	30,73	30,77	آب
September	43,76	43,81	35,19	35,25	30,82	30,87	ايلول
October	44,14	44,19	35,57	35,61	30,93	30,97	تشرين اول
November	45,05	45,10	36,45	36,50	31,59	31,64	تشرين ثاني
December	45,14	45,17	36,24	36,29	31,59	31,64	كانون اول
1952							١٩٥٢
January	45,33	45,38	36,30	36,34	31,66	31,70	كانون ثاني
February	45,38	45,45	36,37	36,43	31,92	31,97	شباط
March	45,36	45,42	36,29	36,25	31,85	31,90	آذار
April	44,19	44,25	35,43	35,48	31,45	31,50	نيسان
May	44,39	44,45	34,02	34,07	31,16	31,20	ايار
June	43,44	43,50	33,89	33,95	30,96	31,00	حزيران
July	42,12	42,18	33,25	33,30	30,37	30,43	تموز
August	42,28	42,75	33,32	33,37	30,30	30,35	آب
September	41,92	42,00	33,34	33,40	29,86	29,90	ايلول
October	41,08	41,14	33,50	33,55	29,96	30,00	تشرين اول
November	40,66	40,72	33,77	33,82	29,93	29,97	تشرين ثاني
December	40,83	40,90	34,15	34,22	29,88	29,95	كانون اول
1953							١٩٥٣
January	40,75	40,78	34,45	34,55	30,17	30,26	كانون ثاني
February	40,03	40,13	34,56	34,66	29,96	30,06	شباط
March	39,52	39,61	34,45	34,58	29,77	29,87	آذار
April	38,59	38,69	33,95	34,05	29,70	29,80	نيسان
May	37,43	37,53	32,97	33,07	29,17	29,25	ايار
June	37,15	37,25	32,30	32,40	29,00	29,10	حزيران
July	35,95	36,20	31,23	31,25	27,83	28,10	تموز
August	35,47	35,65	31,61	31,66	28,02	28,10	آب
September	34,69	34,79	31,28	31,38	27,84	27,84	ايلول
October	33,85	33,95	31,69	31,19	27,36	27,46	تشرين اول
November	33,87	34,05	31,30	31,40	27,36	27,46	تشرين ثاني
December	33,79	33,98	31,43	31,53	27,18	27,28	كانون اول

3:Royal Institute of International Affairs U-4 (no date)1954 M1 Middle East
SYRIAMDI

433 is a modern glass factory for window and mirror glass and for glass containers, with a total estimated annual capacity of over 14,000 tons. This enterprise has suffered from the fact that the sand has to be imported and also from being built before the necessary export market had been secured to keep its three ovens working. Flour mills are plentiful and more are to be constructed; the production of flour is about 400,000 tons a year. In Damascus there are two spaghetti factories and starch is also produced. Tinned fruit, jam, chocolates, and sweets are also produced in Damascus and there are factories for matches (output 45 million boxes in 1952), margarine, soft drinks, and shoes as well as a number of tanneries and workshops in Aleppo and Damascus. A paper mill has recently begun production, with an output of 4 million square metres of corrugated paper and cardboard boxes in 1952.

SYRIAN INDUSTRIAL CAPACITY

(Estimates for 1952)

Number of Factories	*Tons Capacity*
2 Cement	200,000
1 Sugar	10,000
1 Asphalt	variable
9 Edible oil*	12,000
68 Raw cotton ginning	600,000
3 Food preserving (major)	5,000
1 Glass (plate and rolled)	7,500
(containers)	8,000
3 Tobacco	2,000

* Olive and cotton seed.

(SOURCE: *Statistical Abstract of Syria, 1951–2*, Damascus 1952.)

[186] Industry contributes only about a half as much as agriculture to Syria's gross national product, but the spirit of nationalism has led the Government to give special support to local industries although not all are economically sound. As Syria lacks industrial raw materials, industries based on local agricultural produce should be encouraged rather than those which depend on imported raw materials and foreign markets.

Finance

436 The Syrian pound of 100 piastres (reputedly backed as to
648 60 per cent by gold and foreign currency) is linked to the French franc. Syria is a member of the International Monetary Fund and of the International Bank for Reconstruction and Development, with a quota of $6½ million. War-time inflation subsided
435 by the end of 1948, but with the Korean boom in primary
439 product prices and the subsequent export surpluses and heavy

436 In May 1949 the Government decreed that the unit of currency would henceforth be the Syrian pound, equivalent to 405.512 milligrammes of fine gold, and began depositing gold and foreign exchange as note issue cover.

652 In July 1949 agreement was reached with Lebanon regarding Syria's debt
436 on account of the Lebanese bank-notes, previously circulating in Syria and now withdrawn by the Syrian Government. The amount was fixed at LL 44 million and it was agreed that settlement would be made by payment of 4,078 million francs to Lebanon; most of this was paid in 1952.

On 28 March 1953 a legislative decree was promulgated, regulating the monetary system of Syria. A Money and Credit Board was established to co-ordinate and direct the activity of monetary and credit institutions. A Central Bank is also to be established; it will be administered by the Money and Credit Board, which is also charged with supervising and orienting the private banks 1/.

The law is being applied in stages. The Money and Credit Board was established in May 1953, and negotiations were started with the Banque de Syrie et du Liban, which at present issues the currency and enjoys several of the prerogatives of a central bank, regarding eventual transfer to the proposed Central Bank of the government deposits held by it and the assets and liabilities of its Issue Department. The concession of the Banque de Syrie et du Liban lapses in 1964, but the Government has declared that it will not necessarily wait until then to establish the Central Bank. In the meantime, the Banque de Syrie et du Liban continues to perform its previous functions.

The legislative decree provided that the cover of the note issue may consist of gold, foreign exchange, government bills and bonds, and advances made by the Central Bank; the percentage of gold and foreign exchange is not to fall below 30 per cent. On 31 December 1953, the gold and foreign exchange cover of the note issue amounted to £S 97.9 million at the official exchange rate - £S 156.7 million at free market rates; the latter figure represented 56.6 per cent of the value of the note issue; 79 per cent of the gold and foreign exchange cover consisted of gold, United States dollars or Swiss francs 2/.

Foreign exchange

457 Concurrently with these developments in the monetary system, steps were
439 taken to relax restrictions on foreign exchange, to stabilize exchange rates, and to organize the exchange market. The exchange control system established in

1/ Ministry of Finance, Statut organique de la monnaie et creation de la banque centrale de Syrie (Damascus, March 1953).

2/ Bulletin issued by the Money and Credit Board, 5 January 1954. The total amount of reserves of gold and of currencies convertible into gold rose from £S 3.0 million at the end of 1948 to £S 8.2 million in 1949, £S 17.9 million in 1950, £S 29.1 million in 1951, £S 49.2 million in 1952, and £S 77.2 million at the end of 1953 François Cracco and Awad Barakat, La reforme du marché des changes en Syrie, (Damascus, 1954).